

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 13, 2009
POSITION: Oppose
SPONSOR: Alameda County Congestion Management Agency

BILL NUMBER: SB 205
AUTHOR: L. Hancock

BILL SUMMARY: Traffic Congestion: Motor Vehicle Registration Fees

Existing law establishes a basic vehicle registration fee of \$34, plus a \$22 surcharge for additional personnel for the California Highway Patrol, and authorizes local agencies to impose separate vehicle registration fee surcharges in their respective jurisdictions for a variety of special programs.

This bill would make legislative findings as to the negative impacts of traffic congestion and air pollution, and authorize county congestion management agencies (CMAs) to place on the ballot a majority vote local measure that would impose a fee of up to \$10 on each vehicle registered in that county to fund programs to address congestion mitigation and motor vehicle induced pollution.

FISCAL SUMMARY

The Department of Motor Vehicles (DMV) reports that this bill could result in additional costs of approximately \$2 million per year. These costs are not included in the 2009 Budget Act.

COMMENTS

Finance opposes this bill for the following reason:

- This bill could result in unreimbursed DMV costs not contained in the 2009 Budget Act.
- The bill would raise taxes for motorists without the explicit two-thirds voter approval required under Article XIII A, Section 4 of the California Constitution, for local special-purpose taxes. We note that the Governor vetoed similar legislation in 2006 (AB 1623 – Klehs).
- Including the fee with the DMV registration fees makes it look like a state fee, rather than a local tax. Because this \$10 local tax would be provided for in state law, this additional tax is likely to appear to many vehicle registrants as an increase in state fees rather than a new local tax.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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ANALYSIS**A. Programmatic Analysis**

Under current law, CMAs within urbanized areas are required to adopt congestion management programs. CMAs, of which there are 32 in the state, must update those programs every two years.

Existing law establishes a basic vehicle registration fee of \$34, plus a \$22 surcharge for additional personnel for the California Highway Patrol, and authorizes local agencies, until January 1, 2010, to impose separate vehicle registration fee surcharges in their respective jurisdictions for a variety of special programs.

This bill would:

- Make legislative findings as to the negative impacts of traffic congestion and air pollution.
- Authorize a CMA to place on the ballot a majority vote local measure that would impose a fee of up to \$10 on each vehicle registered in that county to fund programs to address congestion mitigation and motor vehicle induced pollution.
- Authorize the governing boards of CMAs to adopt, by majority vote, a resolution containing a finding of fact that projects and programs to be funded by the fee have a relationship or benefit to the persons who will be paying the fee.
- Require a CMA's governing board to adopt a plan for the expenditure of fee revenues that finance projects and programs benefiting the persons paying the fee. These programs and projects would include, but not be limited to, providing matching funds for bond-funded transportation projects and creating or sustaining congestion or pollution mitigation programs and projects.
- Define allowable congestion mitigations programs.
- Define allowable pollution mitigation programs.
- Authorize up to five percent of fee revenue to be used by a CMA for administrative costs associated with the programs and projects.
- Require DMV, if requested by a CMA, to collect the fee upon the registration or renewal of the registration of a motor vehicle registered in the county. DMV would be authorized to deduct all costs of collection before disbursement of the fee revenues to the CMA.
- Require a CMA to pay for the initial setup and programming costs identified by DMV through a direct contract with the DMV and for any direct contract payment by the CMA to be repaid from the initial revenues available for distribution.

We note that, pursuant to the state constitution, when taxes are increased to fund specified activities, those tax increases must be approved by a two-thirds vote of the electorate. Given that this bill would allow taxes to be increased for specified purposes (i.e. congestion and pollution mitigation efforts) with only a majority vote, this bill could run afoul of the state constitution if enacted. Furthermore, we are not convinced the additional levies this bill would facilitate are, in fact, fees instead of taxes. A fee is generally recognized as being for a recovery of costs associated with property-related services such as water service or refuse collection. Countywide congestion and pollution mitigation efforts are not services provided to individual persons or properties.

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B. Fiscal Analysis

DMV reports that there are approximately 29.1 million fee-paid vehicles registered in the various counties as of December 31, 2008. If a \$10 per vehicle registration fee were to be applied to each vehicle, a total of \$291 million in additional fee revenues would be collected annually.

DMV has expressed concern that the programming requirements of this bill may exceed the limitation of DMV's legacy processing system. One of those limitations has to do with the numbers of different fee codes which may appear on a single transaction. If more fee codes are involved on a given transaction than the 44 that can be displayed on the generated fee screen during field office processing, the transaction is rejected and must be sent to DMV headquarters to be manually keyed at significantly greater cost and delays in completion. DMV estimates such exception transactions already cost the department over \$19 million a year. If the majority of counties opt to impose this new fee, DMV estimates those costs could increase by 10 percent, and DMV expresses concern that it could be very difficult to persuade a participating county agency that they should be held responsible for the cost any given transaction, since it would be impossible to attribute a rejection of a transaction to any particular fee code. DMV believes that they would not be able to obtain reimbursement for the additional costs of manual processing caused by this bill.

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP						Fund	
Type		RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
2740/DMV		SO	No		-----	See Fiscal Analysis	-----			0044
<u>Fund Code</u>	<u>Title</u>									
0044	Motor Vehicle Account, STF									